

NEIL ABERCROMBIE  
GOVERNOR



PATRICIA MCMANAMAN  
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STATE OF HAWAII  
**DEPARTMENT OF HUMAN SERVICES**

P. O. Box 339  
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March 19, 2012

TO: The Honorable John M. Mizuno, Chair  
House Committee on Human Services  
  
The Honorable Ryan I. Yamane, Chair  
House Committee on Health

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 2093, S.D.2 - RELATING TO HEALTH**

Hearing: Monday, March 19, 2012; 10:00 a.m.  
Conference Room 329, State Capitol

**PURPOSE:** The purpose of the bill is to provide reimbursements by Medicaid and its contracted health plans to hospitals for patients occupying acute-licensed beds who are waitlisted for long-term care and to facilities with long-term care beds for patients with medically-complex conditions who prior to admission to the facility were receiving acute care services in an acute care hospital.

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) strongly opposes this bill as it would result in a substantial increase in expenditures and result in paying for services not provided.

Significantly, the hospital costs associated with wait-listed patients will be fully compensated under the DHS' proposals to amend H.B. 2275 and S.B. 2467 relating to the hospital sustainability program.

Paying acute care hospital inpatient rates for stable individuals requiring nursing facility level of care would be seen as an overpayment by the Centers for Medicare and Medicaid Services (CMS) and therefore, if paid, would need to be made with state-only funds. In FY 2008, there were 17,000 waitlisted days however since the implementation of QUEST Expanded Access in 2002, the number of waitlist days has significantly decreased. In FY 2010, there were 15,200 waitlist days (11% reduction compared to 2008); and in CY2011 there were 10,100 waitlist days (41% reduction compared to 2008).

Assuming an estimated \$675 per day difference between the average hospital acute care rate and the average hospital waitlisted rate, the additional cost of paying acute care rates for waitlisted individuals is approximately \$6 million, far less than the reported \$75 million. DHS does provide hospitals annual supplements totaling nearly \$35 million.

Medicaid already reimburses nursing facilities on an acuity basis. Those facilities that care for more complex patients receive a higher reimbursement. The acuity determination methodology is based on data reported by nursing facilities to the Centers for Medicare & Medicaid Services (CMS) and utilizes a CMS adopted methodology for calculating acuity. DHS is willing to work with the long term care facilities to review the current methodology.

The definition in the bill of medically complex would result in essentially every patient who is discharged from a hospital to a nursing facility as being considered medically complex. A patient would only need to have two chronic conditions for which they are taking medications to meet the definition under this bill.

Currently, subacute rates are available for the care provided to individuals with tracheotomies and requiring ventilation. Again DHS would be paying for subacute level of care when only nursing facility level of care is provided and resulting in the disallowance of federal match dollars for those expenses.

With a difference between nursing facility level of care rates and subacute level of care rates of approximately \$300, this provision of the bill would be expected to cost additional tens of millions.

Thank you for the opportunity to testify on this bill.

The Hawaii Disability Rights Center supports this bill. We have had many cases of patients who were difficult to place in the community and who were forced to stay in hospitals. We know this has created additional financial burdens on the hospitals. In the interest of equity, hospitals should be adequately reimbursed. We also believe this will reduce any pressure they may feel to pursue premature, potentially inappropriate discharges.

Louis Erteschik  
Executive Director

Testimony of  
John M. Kirimitsu  
Legal & Government Relations Consultant

Before:  
House Committee on Human Services  
The Honorable John M. Mizuno, Chair  
The Honorable Jo Jordan, Vice Chair  
and  
House Committee on Health  
The Honorable Ryan I. Yamane, Chair  
The Honorable Dee Morikawa, Vice Chair

March 19, 2012  
10:00 am  
Conference Room 329

**Re: SB 2093, SD2, Relating to Health**

Chairs, Vice Chairs, and committee members, thank you for this opportunity to provide testimony on SB 2093, SD2, that establishes fair Medicaid reimbursements to acute care hospitals and provides appropriations for increased Medicaid reimbursements.

**Kaiser Permanente Hawaii supports this bill.**

It has been estimated that Hawaii hospitals lost approximately \$75,000,000 due to delays in discharging, on average, about two hundred patients waitlisted for long term care. Duration of these delays ranged from days or weeks, to months and sometimes years.

Given that Medicaid reimburses acute care hospitals at a rate based upon the level of care needed by the patient, it has become problematic when a patient is well enough to be transferred to long term care, since Medicaid payments to the hospital are reduced to a fraction of the actual cost of care in the hospital acute care setting. This results in an unfair financial burden on the hospitals, which must continue to provide care at a much higher cost to patients who remain waitlisted in acute care hospital beds due to the unavailability of long term care beds.

It naturally follows that Kaiser Foundation Hospital's finances are negatively impacted by this waitlist situation, the same as all the other acute care hospitals in the State. Accordingly, Kaiser Permanente Hawaii strongly supports this bill to provide compensation that would fairly cover the costs of care for Medicaid patients waitlisted in acute care hospital settings, in transition to

long term care, by providing Medicaid reimbursements at the acute medical services payment rate.

Thank you for the opportunity to comment.



# THE QUEEN'S HEALTH SYSTEMS

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Representative John M. Mizuno, Chair  
Representative Jo Jordan, Vice-Chair  
**HOUSE COMMITTEE ON HUMAN SERVICES**

Representative Ryan I. Yamane, Chair  
Representative Dee Morikawa, Vice Chair  
**HOUSE COMMITTEE ON HEALTH**

March 19, 2012 – 10:00 a.m.  
State Capitol, Conference Room 329

## **In Support of S.B 2093, SD2, Relating to Health**

My name is Paula Yoshioka, and I am the Senior Vice President for The Queen's Health Systems (QHS). I am testifying for QHS in strong support for S.B. 2093, SD2, Relating to Health.

The Queens Medical Center (QMC) is greatly impacted by the limited community resources that are available to serve people in need of community-based care, rather than acute hospitalization. Patients on the waitlist for community based care often have a less-than-optimal quality of life, and their general health may be negatively impacted by a prolonged stay in the acute care hospital. Additionally, when we treat these non-acute patients in the acute hospital bed, we are less able to respond to our community's needs for acute care services. Too often it happens that our Emergency Department has to go on divert status because we simply do not have the bed capacity to admit patients needing hospitalization. Currently, there is an average of 50 patients on the waitlist each day. The inability to admit patients impacts the health care system statewide, as we often serve as a higher level of care, transfer center for many of the hospitals in the state and throughout the Pacific.

We support the language in this bill that provides for reimbursement rates for waitlisted patients to be at the level of the acute care bed rate. Since these patients reside in the acute hospital bed while waiting for community placement, the cost of patient care remains the same and the loss of the inpatient capacity continues. The increase to the payment rate for these waitlisted patients is a necessary action in order to sustain our health care system. In FY 10, it is estimated that Queen's cost for the unpaid cost of Medicaid was \$28.3 million. This type of financial shortfall, at Queen's and other hospitals, significantly weakens our health care system as a whole.

We support the language in this bill that would ensure that long term care facilities are compensated at a higher rate when they provide services to these non-acute, yet complex, patients. Appropriate compensation to the long term care facilities would assist the acute care hospitals by increasing the discharge options for the patient care team.

In closing, we respectfully request that you adjust the reimbursement rates for waitlisted patients remaining in hospitals and develop sub-acute rates for complex and challenging patients to be served by the community program. The fragility of the health care system across the state requires your prompt attention. The longer it takes for action, the more our system is weakened, and the greater the impact to the overall quality of life of our patients.

The Queen's Medical Center continues to value and embrace our role within the community. We understand the need for collaboration and will continue to work with state agencies and community facilities and programs to serve these waitlisted patients. We recognize that the challenges presented to our state are complex and require multiple actions. The actions in this bill are a few that will help assure quality health care while we build more community options for our aging population. Your favorable review of this bill is appreciated.

Thank you for the opportunity to provide testimony in support of this measure.





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HOUSE COMMITTEE ON HUMAN SERVICES  
Rep. John Mizuno, Chair

HOUSE COMMITTEE ON HEALTH  
Rep. Ryan Yamane, Chair

Conference Room 329  
March 19, 2012 at 10:00 a.m.

**Supporting SB 2093 SD 2: Relating to Health**

The Healthcare Association of Hawaii advocates for its member organizations that span the entire spectrum of health care, including all acute care hospitals, as well as long term care facilities, home care agencies, and hospices. In addition to providing quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing over 40,000 people. Thank you for this opportunity to testify in support of SB 2093 SD 2, which addresses the Medicaid provider payment issue to ease the transition of patients from acute to long term care.

On any given day there are an average of 150 patients in Hawaii's hospitals who have been treated so that they are well enough to be transferred to long term care, but who are waitlisted because long term care is not available. Waitlisting is undesirable because it represents an inappropriate quality of care for the patient and creates a serious financial drain on hospitals. Waitlisted patients also unnecessarily occupy hospital beds that could otherwise be used by those who need acute care. Patients may be waitlisted for a matter of days, weeks, or months, and in some cases over a year.

The Healthcare Association has advocated for solutions to the waitlist problem since 2007, when it sponsored SCR 198, which directed the Association to study the problem and propose solutions. The Association subsequently created a task force for that purpose, which submitted a report to the Legislature. Since then the Association has sponsored two measures that have been designed to:

- (1) Promote the movement of waitlisted patients out of acute care;
- (2) Reduce unpaid costs incurred by hospitals and free up hospital resources so that they can be used to treat those who need that higher level of care; and
- (3) Enable long term care facilities to accept waitlisted Medicaid patients with complex medical conditions while addressing the additional costs related to their care.

The two waitlist bills sponsored by HAH have advanced further in the Legislature each year since they were first introduced, and last year they both went to conference. HAH is again sponsoring these bills in 2012. One bill addresses the Medicaid eligibility process, and this bill addresses Medicaid payments.

Thank you for the opportunity to testify in support of SB 2093 SD 2.



**Testimony to the House Committees on Human Services and Health  
Monday, March 19, 2012  
10:00 a.m.  
State Capitol - Conference Room 329**

**RE: SENATE BILL 2093 SD2 RELATING TO HEALTH**

Chairs Mizuno and Yamane, Vice Chairs Jordan and Morikawa, and members of the committees:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). The Chamber supports Senate Bill No. 2093 SD2 relating to Health.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber commends the Legislature for playing an active role in passing legislation that appropriates money to match federal funds in the past couple of sessions. Quality health care is critical to the people and economy of Hawaii. As one of the largest private industries in Hawaii, the health care industry plays an important role in our economy, particularly through attractive, well-paying jobs and through the purchase of goods and services that contribute to our state's economy. As such, the health care industry plays a crucial role in the economic development and sustainability of our state and all of Hawaii's businesses. Also, Hawaii's healthcare system provides quality care for our families and serves to attract and retain a professional workforce, new companies, and even tourists to our state.

However, the quality healthcare that Hawaii has enjoyed for years is now in jeopardy. It is on the verge of declining because healthcare providers are no longer being paid for essential services at a level sufficient to cover annually increasing costs. The health care system must be maintained and challenges must be addressed.

Therefore, The Chamber supports improvements to the quality of our health care system. They include legislation that will improve payments to health care providers of essential health care services and increase long term care capacity and access statewide. Appropriating funds to match the federal funding for medicaid is the first step in the right direction to ameliorate the current state of health care in Hawaii.

In light of the above, The Chamber of Commerce of Hawaii supports SB 2093 SD2. Thank you for the opportunity to provide testimony.